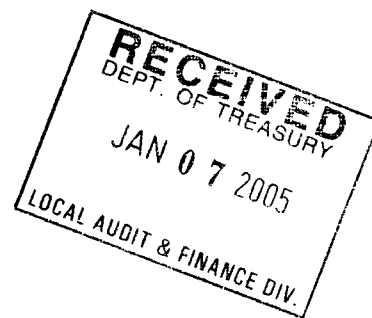


**REVISED**

# Village of Birch Run

73-3010

Birch Run, Michigan



## Financial Statements

For The Year Ended  
June 30, 2004



**REHMANN ROBSON**

*Certified Public Accountants*

**AUDITING PROCEDURES REPORT**

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

**COPY**

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Birch Run		County Saginaw
Audit Date 11/30/04	Opinion Date 11/12/04	Date Accountant Report Submitted to State: 12/21/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

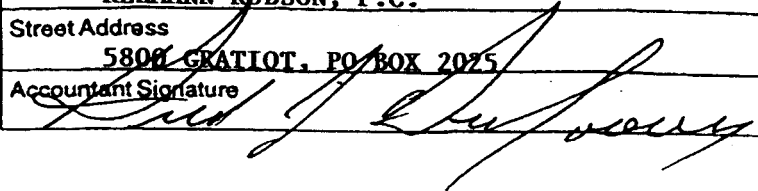
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON, P.C.</b>		GERALD J. DESLOOVER, CPA	
Street Address <b>5800 CRAWFORD, PO BOX 2025</b>	City <b>SAGINAW</b>	State <b>MI</b>	ZIP <b>48605</b>
Accountant Signature 			

**VILLAGE OF BIRCH RUN**

**Birch Run, Michigan**

**Financial Statements**

**And**

**Auditors' Report**

**June 30, 2004**

**VILLAGE COUNCIL**

MARIANNE NELSON	PRESIDENT
JEANETTE BUTHKER	COUNCILPERSON
EDWARD MCNAMARA	COUNCILPERSON
JOHN CRAMER	COUNCILPERSON
JEANETTE MORRISH	COUNCILPERSON

**APPOINTED OFFICERS**

JODIE GIBSON	TREASURER
BECKY WALTHER	CLERK / ACCOUNTANT

**VILLAGE OF BIRCH RUN**  
**FINANCIAL STATEMENTS**

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**VILLAGE OF BIRCH RUN**  
**FINANCIAL STATEMENTS**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

November 12, 2004

Village Council  
Village of Birch Run  
Birch Run, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Village of Birch Run**, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Village of Birch Run**, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Streets, and Local Streets Governmental Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of ***Village of Birch Run's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Village of Birch Run's*** basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Rehmann Lohman*

## Management's Discussion and Analysis

As management of the *Village of Birch Run, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$6,523,240 (*net assets*). Of this amount, \$2,691,742 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$87,466.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$849,396, a decrease of \$90,586 in comparison with the prior year. More than 96 percent of this total amount, or \$818,384, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$477,703, or 58 percent of total general fund expenditures.
- The Village's total debt decreased by \$110,000 during the current fiscal year as a result of principal payments throughout the 2003/2004 fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, elections, clerk and treasurer, public safety, inspections, planning and zoning, public works, and highways and streets. The business-type activities of the Village include sewer and water operations.



The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets and local funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

**Proprietary funds.** The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-45 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Birch Run, assets exceeded liabilities by \$6,523,240 at the close of the most recent fiscal year.

One of the largest portions of the Village's net assets (39 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Village of Birch Run's Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current and other assets	\$1,001,036	\$ 3,252,611	\$4,253,647
Capital assets	<u>204,933</u>	<u>3,158,288</u>	<u>3,363,221</u>
Total assets	<u>1,205,969</u>	<u>6,410,899</u>	<u>7,616,868</u>
Long-term liabilities outstanding		720,000	720,000
Other liabilities	<u>143,100</u>	<u>230,528</u>	<u>373,628</u>
Total liabilities	<u>143,100</u>	<u>950,528</u>	<u>1,093,628</u>
Net assets:			
Invested in capital assets, net of related debt	204,933	2,333,288	2,538,221
Restricted	-	1,293,277	1,293,277
Unrestricted	<u>857,936</u>	<u>1,833,806</u>	<u>2,691,742</u>
Total net assets	<u>\$ 1,062,869</u>	<u>\$ 5,460,371</u>	<u>\$ 6,523,240</u>

An additional portion of the Village's net assets (less than 20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,691,742) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village's restricted net assets decreased by \$463,873 during the current fiscal year. This decrease mainly resulted from payments of debt service expenses and a reduction in the restricted assets held on behalf of others.

The Village's net assets decreased by \$87,466 during the current fiscal year. This growth largely reflects the degree to which ongoing revenues were exceeded by ongoing expenses.

# Village of Birch Run's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenue:			
Program revenue:			
Charges for services	\$ 482,678	\$ 757,739	\$ 1,240,417
Operating grants and contributions	138,549	-	138,549
General revenue:			
Property taxes	146,158	-	146,158
Grants and contrib. not restricted to specific programs	116,336	-	116,336
Other	16,763	26,601	43,364
Total revenue	<u>900,484</u>	<u>784,340</u>	<u>1,684,824</u>
Expenses:			
General government	176,928	-	176,928
Public safety	558,070	-	558,070
Public works	289,499	-	289,499
Sewer	-	324,789	324,789
Water	-	423,004	423,004
Total expenses	<u>1,024,497</u>	<u>747,793</u>	<u>1,772,290</u>
Increase (decrease) in net assets	(124,013)	36,547	(87,466)
Net assets – beginning of year	<u>1,186,882</u>	<u>5,423,824</u>	<u>6,610,706</u>
Total net assets	<u>\$ 1,062,869</u>	<u>\$ 5,460,371</u>	<u>\$ 6,523,240</u>

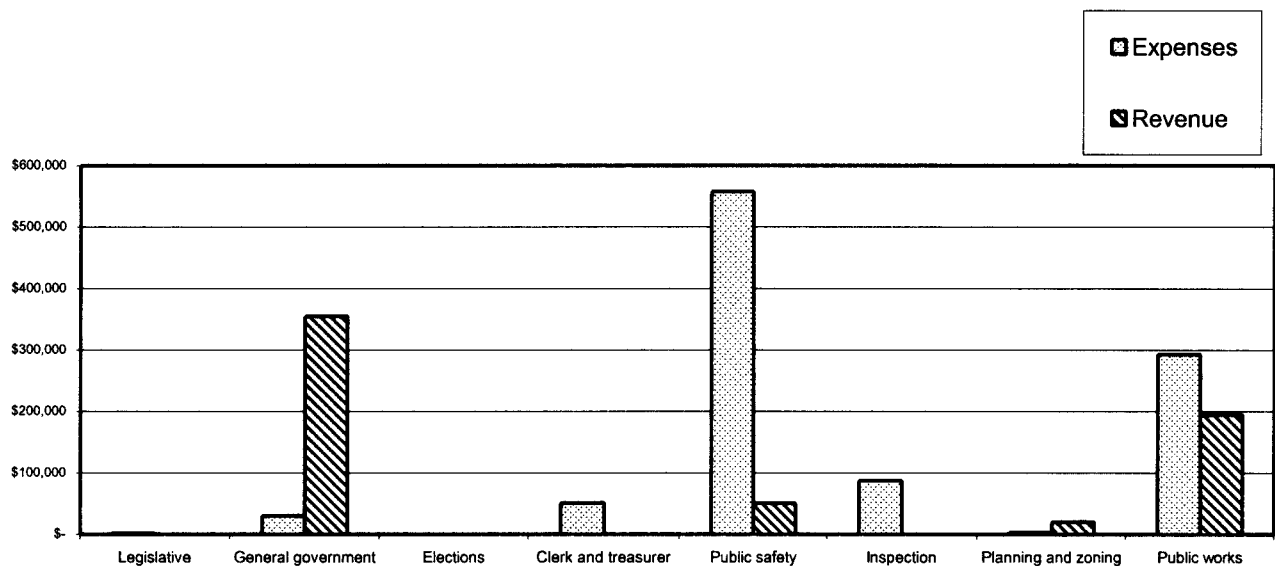
**Governmental activities.** Governmental activities decreased the Village's net assets by \$124,013, offsetting the growth in the business-type activities and resulting in a decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Property taxes increased by \$1,674 (.17 percent) during the year. Most of this increase is the product of increased taxable values and residential growth.
- Grants and contributions not restricted to specific programs was composed of the sales tax revenues shared by the State of Michigan under the Revenue Sharing Act and the State's allocation was reduced by \$11,731 (8.27 percent) during the year.
- The Village expenses remained relatively constant but were slightly above anticipated revenues.

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### Expenses and Program Revenues - Governmental Activities

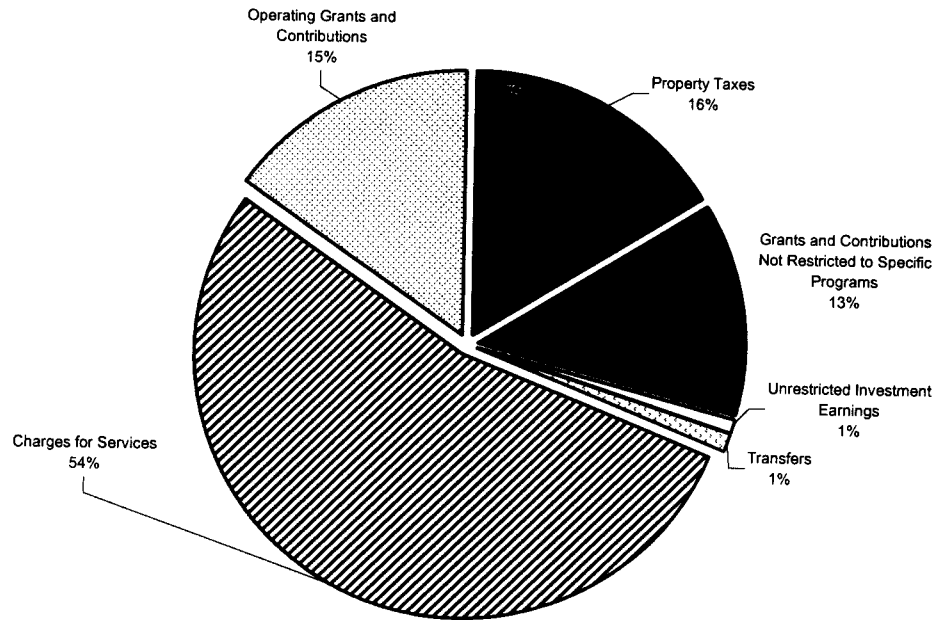
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## Revenues by Source - Governmental Activities

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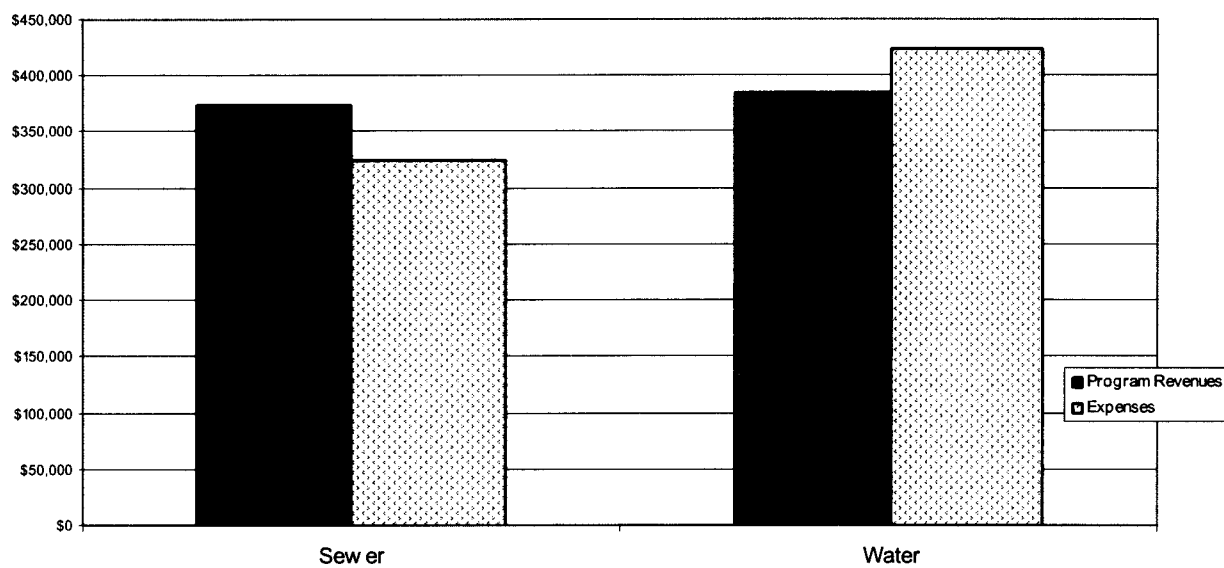


**Business-type activities.** Business-type activities increased the Village's net assets by \$36,547, offsetting the loss in the governmental activities and resulting in an overall decrease in the net assets of the Village. Key elements of this increase are as follows:

- Expenses remained constant while charges for services increased \$15,041 (3.8 percent) due to additional customers added during the year.

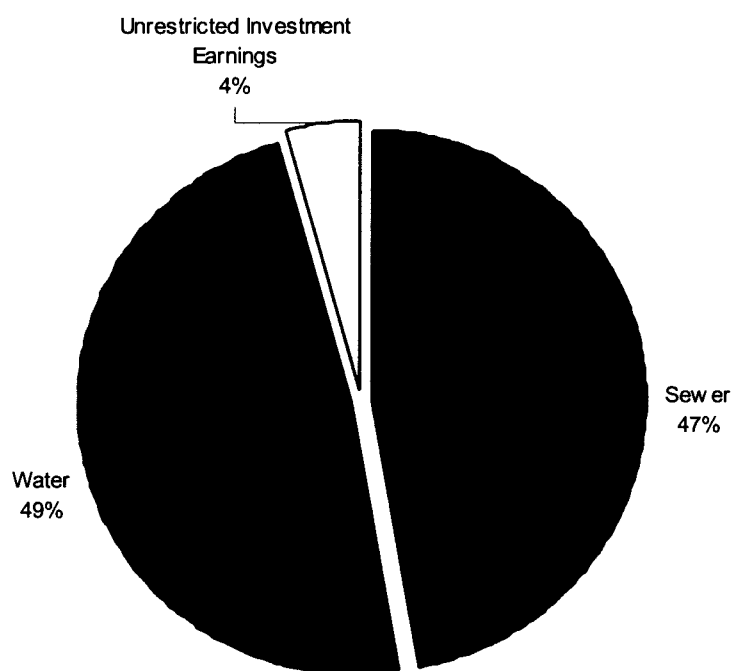
## Expenses and Program Revenues - Business-type Activities

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## Revenues by Source - Business-type Activities

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## Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$849,396, a decrease of \$90,586 in comparison with the prior year. Approximately 96 percent of this total amount (\$811,947) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay for specific items encumbered (\$20,078) or 2) for a variety of other restricted purposes (\$17,371).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$471,266, while the total fund balance reached \$492,215. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 57 percent of total general fund expenditures, while total fund balance represents 60 percent of that same amount.

The fund balance of the Village's general fund decreased by \$82,436 during the current fiscal year. This is primarily attributable to additional expenses, reduction in revenue sharing and 100% funding of the final year of a Federal COPS Grant.

The major streets fund has a total fund balance of \$216,884, which increased by \$13,994 during the year. This increase was the result of a reduction in the amount of chip and seal and street striping required for fiscal year 2003/2004.

The local streets fund has a total fund balance of \$140,297, which decreased by \$22,144 during the year. The decrease is attributable to the paving of Poellet Street.

*Proprietary funds.* The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$2,124,657 and \$1,002,426, respectively. The sewer fund had an increase in net assets for the year of \$67,798 and the water fund had a decrease in net assets for the year of \$31,251. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Village's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Village's general and special revenue funds were generally favorable, although to varying degrees.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$3,363,221 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total decrease in the Village's investment in capital assets for the current fiscal year was 19.2 percent (a 15.3 percent decrease for governmental activities and a 3.9 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Repaving of Poellet Street
- Purchase of Power Washer
- Beyer Rd. Improvements (Engineering Fees)

### Village of Birch Run's Capital Assets (net of depreciation)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Land	\$ 38,000	\$ 36,392	\$ 74,392
Land improvements	75,761	32,637	108,398
Buildings and systems	-	2,971,877	2,971,877
Equipment	61,588	84,176	145,764
Vehicles	<u>29,584</u>	<u>33,206</u>	<u>62,790</u>
Total net assets	<u>\$ 204,933</u>	<u>\$ 3,158,288</u>	<u>\$ 3,363,221</u>

Additional information on the Village's capital assets can be found in note III. C. on pages 16-17 of this report.



**Long-term debt.** At the end of the current fiscal year, the Village had total debt outstanding of \$825,000, which represents contracts payable to Saginaw County D.P.W.

**Village of Birch Run's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Contracts payable	\$ <u>          -</u>	\$ <u>  825,000  </u>	\$ <u>  825,000  </u>

The Village's total debt decreased by \$110,000 (11.8 percent) during the current fiscal year, with the principal payments being the primary change during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Village is \$7,259,546, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III. F. on pages 39-40 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2003-04 fiscal year:

- The February 2003 unemployment rate for the Saginaw-Bay City-Midland metropolitan area (the Village is in the Saginaw area) was 8.1 percent, which is an increase from a rate of 7.2 percent a year ago. This was higher than the state's February 2003 average unemployment rate of 6.6 percent and the national average rate of 5.9 percent.
- The Village is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$477,703.

**Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's office, 12060 Heath Street, PO Box 371, Birch Run, Michigan 48415.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF BIRCH RUN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 854,383	\$ 1,219,275	\$ 2,073,658	\$ 1,043,260
Investments	-	500,000	500,000	-
Receivables	146,653	240,059	386,712	-
Restricted cash and cash equivalents	-	1,293,277	1,293,277	-
Nondepreciable capital assets	38,000	36,392	74,392	89,043
Depreciable capital assets, net	166,933	3,121,896	3,288,829	43,749
<b>Total assets</b>	<b>1,205,969</b>	<b>6,410,899</b>	<b>7,616,868</b>	<b>1,176,052</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	143,100	125,528	268,628	52,144
Noncurrent liabilities:				
Due within one year	-	105,000	105,000	215,000
Due in more than one year	-	720,000	720,000	2,110,000
<b>Total liabilities</b>	<b>143,100</b>	<b>950,528</b>	<b>1,093,628</b>	<b>2,377,144</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	204,933	2,333,288	2,538,221	(2,192,208)
Restricted for:				
Acquisition/construction/replacement of capital assets	-	1,226,549	1,226,549	143,041
Unrestricted	857,936	1,900,534	2,758,470	848,075
<b>Total net assets (deficit)</b>	<b>\$ 1,062,869</b>	<b>\$ 5,460,371</b>	<b>\$ 6,523,240</b>	<b>\$ (1,201,092)</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BIRCH RUN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 1,340	\$ -	\$ -	\$ (1,340)
General government	30,296	355,351	-	325,055
Elections	189	-	-	(189)
Clerk and treasurer	51,087	-	-	(51,087)
Public safety	558,070	37,294	13,341	(507,435)
Inspection	87,321	-	-	(87,321)
Planning and zoning	3,130	20,177	-	17,047
Public works	293,064	69,856	125,208	(98,000)
Total governmental activities	1,024,497	482,678	138,549	(403,270)
Business-type activities:				
Sewer	324,789	373,229	-	48,440
Water	423,004	384,510	-	(38,494)
Total business-type activities	747,793	757,739	-	9,946
Total primary government	<u>\$ 1,772,290</u>	<u>\$ 1,240,417</u>	<u>\$ 138,549</u>	<u>\$ (393,324)</u>
Component unit:				
Downtown Development Authority	<u>\$ 646,303</u>	<u>\$ 10,149</u>	<u>\$ 15,000</u>	<u>\$ (621,154)</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (403,270)	\$ 9,946	\$ (393,324)	\$ (621,154)
General revenues:				
Property taxes	146,158	-	146,158	821,582
Grants and contributions not restricted to specific programs	116,336	-	116,336	-
Unrestricted investment earnings	8,463	34,901	43,364	12,819
Transfers	8,300	(8,300)	-	-
Total general revenues and transfers	279,257	26,601	305,858	834,401
Change in net assets	(124,013)	36,547	(87,466)	213,247
Net assets (deficit), beginning of year, as restated	1,186,882	5,423,824	6,610,706	(1,414,339)
<b>Net assets (deficit), end of year</b>	<u>\$ 1,062,869</u>	<u>\$ 5,460,371</u>	<u>\$ 6,523,240</u>	<u>\$ (1,201,092)</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BIRCH RUN**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	General	Major Streets	Local Streets	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 517,822	\$ 200,396	\$ 136,165	\$ 854,383
Accounts receivable	2,608	-	-	2,608
Taxes receivable - delinquent	8,540	-	-	8,540
Due from other governmental units	114,247	16,852	4,406	135,505
<b>Total assets</b>	<b>\$ 643,217</b>	<b>\$ 217,248</b>	<b>\$ 140,571</b>	<b>\$ 1,001,036</b>
<b>Liabilities and fund equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 26,176	\$ 233	\$ 177	\$ 26,586
Payroll withholdings	4,116	-	-	4,116
Accrued payroll	8,002	131	97	8,230
Due to other governmental units	22,173	-	-	22,173
Deferred revenue	8,540	-	-	8,540
Customer deposits	81,995	-	-	81,995
<b>Total liabilities</b>	<b>151,002</b>	<b>364</b>	<b>274</b>	<b>151,640</b>
<b>Fund equity</b>				
Fund balances:				
Reserved for drug forfeiture funds	10,037	-	-	10,037
Reserved for bike patrol funds	245	-	-	245
Reserved for D.A.R.E.	352	-	-	352
Reserved for salvage inspections	300	-	-	300
Reserved for code enforcement	6,437	-	-	6,437
Reserved for encumbrances	3,578	8,250	8,250	20,078
Unreserved:				
Reported in:				
General Fund	471,266	-	-	471,266
Special Revenue Funds	-	208,634	132,047	340,681
<b>Total fund equity</b>	<b>492,215</b>	<b>216,884</b>	<b>140,297</b>	<b>849,396</b>
<b>Total liabilities and fund equity</b>	<b>\$ 643,217</b>	<b>\$ 217,248</b>	<b>\$ 140,571</b>	<b>\$ 1,001,036</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BIRCH RUN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Fund balances - total governmental funds \$ 849,396

Amounts reported for *governmental activities* in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Add - capital assets	898,500
Deduct - accumulated depreciation	(693,567)

Other long-term assets are not available to pay for current-period expenditures  
and, therefore, are deferred in the funds.

Add - deferred revenue on taxes receivable	<u>8,540</u>
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Net assets of governmental activities	<u><u>\$ 1,062,869</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BIRCH RUN**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	General	Major Streets	Local Streets	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 142,428	\$ -	\$ -	\$ 142,428
Licenses and permits	61,198	-	-	61,198
Planning and zoning fees	20,177	-	-	20,177
Federal revenue	9,122	-	-	9,122
State revenue	120,555	99,283	25,925	245,763
Charges for services	149,295	-	-	149,295
Reimbursements	184,707	9,205	4,438	198,350
Fines and forfeitures	24,084	-	-	24,084
Other revenue	23,293	9,749	1,526	34,568
<b>Total revenues</b>	<b>734,859</b>	<b>118,237</b>	<b>31,889</b>	<b>884,985</b>
<b>Expenditures</b>				
Legislative	1,340	-	-	1,340
Elections	189	-	-	189
Clerk and treasurer	51,262	-	-	51,262
Public safety	541,612	-	-	541,612
Inspection	87,496	-	-	87,496
Planning and zoning	3,130	-	-	3,130
Department of Public Works	121,798	-	-	121,798
Highways and streets	18,735	79,899	78,377	177,011
Other current expenditures	33	-	-	33
<b>Total expenditures</b>	<b>825,595</b>	<b>79,899</b>	<b>78,377</b>	<b>983,871</b>
<b>Revenues over (under) expenditures</b>	<b>(90,736)</b>	<b>38,338</b>	<b>(46,488)</b>	<b>(98,886)</b>
<b>Other financing sources (uses)</b>				
Transfers in	8,300	-	24,344	32,644
Transfers (out)	-	(24,344)	-	(24,344)
<b>Total other financing sources (uses)</b>	<b>8,300</b>	<b>(24,344)</b>	<b>24,344</b>	<b>8,300</b>
<b>Net change in fund balances</b>	<b>(82,436)</b>	<b>13,994</b>	<b>(22,144)</b>	<b>(90,586)</b>
<b>Fund balances, beginning of year, as restated</b>	<b>574,651</b>	<b>202,890</b>	<b>162,441</b>	<b>939,982</b>
<b>Fund balances, end of year</b>	<b>\$ 492,215</b>	<b>\$ 216,884</b>	<b>\$ 140,297</b>	<b>\$ 849,396</b>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BIRCH RUN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (90,586)

Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	17,958
Deduct - depreciation expense	(55,115)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>3,730</u>
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Change in net assets of governmental activities	<u><u>\$ (124,013)</u></u>
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The accompanying notes are an integral part of these financial statements.

# VILLAGE OF BIRCH RUN

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues</b>				
Taxes	\$ 152,719	\$ 144,731	\$ 142,428	\$ (2,303)
Licenses and permits	42,108	60,809	61,198	389
Zoning fees	19,278	19,507	20,177	670
Federal revenue	27,818	9,122	9,122	-
State revenue	134,264	123,640	120,555	(3,085)
Charges for services	72,620	99,817	149,295	49,478
Reimbursements	213,480	177,017	184,707	7,690
Fines and forfeitures	22,440	21,456	24,084	2,628
Other revenues	26,986	18,183	23,293	5,110
<b>Total revenues</b>	<u>711,713</u>	<u>674,282</u>	<u>734,859</u>	<u>60,577</u>
<b>Expenditures</b>				
Legislative	2,606	1,439	1,340	99
Elections	-	189	189	-
Clerk and treasurer	58,384	53,203	51,262	1,941
Public safety	475,690	535,940	541,612	(5,672)
Inspections	89,710	89,341	87,496	1,845
Planning and zoning	2,184	3,130	3,130	-
Department of Public Works	102,519	78,887	121,798	(42,911)
Highways and streets	22,382	19,326	18,735	591
Other current expenditures	-	33	33	-
<b>Total expenditures</b>	<u>753,474</u>	<u>781,488</u>	<u>825,595</u>	<u>(44,107)</u>
<b>Revenues over (under) expenditures</b>	<u>(41,761)</u>	<u>(107,206)</u>	<u>(90,736)</u>	<u>16,470</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>45,700</u>	<u>8,300</u>	<u>8,300</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>3,939</u>	<u>(98,906)</u>	<u>(82,436)</u>	<u>16,470</u>
Fund balances, beginning of year, as restated	<u>574,651</u>	<u>574,651</u>	<u>574,651</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 578,590</u>	<u>\$ 475,745</u>	<u>\$ 492,215</u>	<u>\$ 16,470</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BIRCH RUN**

**MAJOR STREETS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues</b>				
State revenue	\$ 97,376	\$ 98,356	\$ 99,283	\$ 927
Reimbursements	12,240	9,205	9,205	-
Other revenues	2,550	9,517	9,749	232
<b>Total revenues</b>	112,166	117,078	118,237	1,159
<b>Expenditures</b>				
Highways and streets	102,655	80,469	79,899	570
<b>Revenues over (under) expenditures</b>	9,511	36,609	38,338	1,729
<b>Other financing sources (uses)</b>				
Transfers (out)	(24,344)	(24,344)	(24,344)	-
<b>Net change in fund balances</b>	(14,833)	12,265	13,994	1,729
Fund balances, beginning of year	202,890	202,890	202,890	-
<b>Fund balances, end of year</b>	<u>\$ 188,057</u>	<u>\$ 215,155</u>	<u>\$ 216,884</u>	<u>\$ 1,729</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BIRCH RUN**

**LOCAL STREETS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>Revenues</b>				
State revenue	\$ 25,537	\$ 25,663	\$ 25,925	\$ 262
Reimbursements	510	4,438	4,438	-
Other revenues	2,120	1,370	1,526	156
<b>Total revenues</b>	28,167	31,471	31,889	418
<b>Expenditures</b>				
Highways and streets	65,606	78,804	78,377	427
<b>Revenues over (under) expenditures</b>	(37,439)	(47,333)	(46,488)	845
<b>Other financing sources (uses)</b>				
Transfers in	24,344	24,344	24,344	-
<b>Net change in fund balances</b>	(13,095)	(22,989)	(22,144)	845
Fund balances, beginning of year	162,441	162,441	162,441	-
<b>Fund balances, end of year</b>	<u>\$ 149,346</u>	<u>\$ 139,452</u>	<u>\$ 140,297</u>	<u>\$ 845</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF BIRCH RUN

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2004

	SEWER FUND	WATER FUND	TOTAL
<b>Current assets</b>			
Cash and cash equivalents	\$ 828,816	\$ 390,459	\$ 1,219,275
Investments	500,000	-	500,000
Accounts receivable	53,452	104,336	157,788
Due from other governmental units	-	65,331	65,331
Due from component unit	16,940	-	16,940
<b>Total current assets</b>	<b>1,399,208</b>	<b>560,126</b>	<b>1,959,334</b>
<b>Restricted assets</b>			
Cash and cash equivalents			
Held in trust for Birch Run Township	-	66,728	66,728
Saginaw County settlement funds	35,495	-	35,495
Replacement	28,400	484,439	512,839
Sewer connection fees	678,215	-	678,215
<b>Total restricted assets</b>	<b>742,110</b>	<b>551,167</b>	<b>1,293,277</b>
<b>Property, plant, and equipment</b>			
Land	26,900	9,492	36,392
Land improvements	45,540	-	45,540
Buildings	115,302	-	115,302
Sewer system	3,662,345	-	3,662,345
Vehicles	32,590	32,590	65,180
Mains	-	667,687	667,687
Furniture and equipment	194,607	40,516	235,123
Less accumulated depreciation	(1,366,048)	(303,233)	(1,669,281)
<b>Net property, plant, and equipment</b>	<b>2,711,236</b>	<b>447,052</b>	<b>3,158,288</b>
<b>Total assets</b>	<b>4,852,554</b>	<b>1,558,345</b>	<b>6,410,899</b>

	<b>SEWER FUND</b>	<b>WATER FUND</b>	<b>TOTAL</b>
<b>Current liabilities (payable from current assets)</b>			
Accounts payable	\$ 7,555	\$ 39,984	\$ 47,539
Accrued expenses	898	2,155	3,053
Accrued interest	8,208	-	8,208
Current maturities of contracts payable - Saginaw County D.P.W.	105,000	-	105,000
<b>Total current liabilities (payable from current assets)</b>	121,661	42,139	163,800
<b>Current liabilities (payable from restricted assets)</b>			
Due to other governmental units	-	66,728	66,728
<b>Total current liabilities</b>	121,661	108,867	230,528
<b>Long-term liabilities (exclusive of current maturities)</b>			
Contracts payable - Saginaw County D.P.W.	720,000	-	720,000
<b>Total liabilities</b>	841,661	108,867	950,528
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,886,236	447,052	2,333,288
Restricted for acquisition/construction of capital assets	742,110	484,439	1,226,549
Unrestricted	1,382,547	517,987	1,900,534
<b>Total net assets</b>	<u>\$ 4,010,893</u>	<u>\$ 1,449,478</u>	<u>\$ 5,460,371</u>

# VILLAGE OF BIRCH RUN

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	SEWER FUND	WATER FUND	TOTAL
<b>Operating revenues</b>			
Charges for services	\$ 216,108	\$ 270,142	\$ 486,250
Township service charge	-	103,922	103,922
Miscellaneous	288	644	932
<b>Total operating revenues</b>	<u>216,396</u>	<u>374,708</u>	<u>591,104</u>
<b>Operating expenses</b>			
Salaries and wages	63,296	101,873	165,169
Fringe benefits	15,074	20,376	35,450
Sewage treatment	36,393	-	36,393
Operating supplies	4,238	24,167	28,405
Utilities	21,459	2,631	24,090
Professional fees	27,424	59,288	86,712
Office expenses	9,072	1,094	10,166
Equipment rental	14,114	17,986	32,100
Depreciation	97,354	33,262	130,616
Water purchases	-	147,337	147,337
Insurance	6,446	5,605	12,051
Administrative expense	462	845	1,307
Miscellaneous	7,451	8,540	15,991
<b>Total operating expenses</b>	<u>302,783</u>	<u>423,004</u>	<u>725,787</u>
<b>Operating (loss)</b>	<u>(86,387)</u>	<u>(48,296)</u>	<u>(134,683)</u>
<b>Nonoperating revenues (expenses)</b>			
Connection fees	20,311	9,802	30,113
Interest income	23,458	11,443	34,901
Reimbursements	97,862	-	97,862
Bond interest and fiscal charges	(22,006)	-	(22,006)
Contribution from Township for debt service	38,660	-	38,660
<b>Total nonoperating revenues (expenses)</b>	<u>158,285</u>	<u>21,245</u>	<u>179,530</u>
<b>Income (Loss) before transfers</b>	71,898	(27,051)	44,847
<b>Transfers</b>			
Transfers (out)	(4,100)	(4,200)	(8,300)
<b>Net income (loss)</b>	67,798	(31,251)	36,547
<b>Net Assets, beginning of year, as restated</b>	<u>3,943,095</u>	<u>1,480,729</u>	<u>5,423,824</u>
<b>Net Assets, end of year</b>	<u>\$ 4,010,893</u>	<u>\$ 1,449,478</u>	<u>\$ 5,460,371</u>

# VILLAGE OF BIRCH RUN

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	SEWER FUND	WATER FUND	TOTAL
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 213,682	\$ 281,891	\$ 495,573
Interfund reimbursements	(1,725)	(1,139)	(2,864)
Payments to employees	(80,742)	(123,185)	(203,927)
Payments to suppliers	(126,671)	(222,710)	(349,381)
Other operating revenue	288	644	932
<b>Net cash provided (used) by operating activities</b>	<u>4,832</u>	<u>(64,499)</u>	<u>(59,667)</u>
<b>Cash flows from non-capital financing activities</b>			
Operating transfers (out)	<u>(4,100)</u>	<u>(4,200)</u>	<u>(8,300)</u>
<b>Cash flows from capital and related financing activities</b>			
Connection fees	20,311	9,802	30,113
Principal payments on long-term debt	(110,000)	-	(110,000)
Bond interest and fiscal charges	(22,006)	-	(22,006)
Reimbursements	97,862	-	97,862
Contribution from Township for debt service	38,660	-	38,660
<b>Net cash provide (used) by capital and related financing activities</b>	<u>24,827</u>	<u>9,802</u>	<u>34,629</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(500,000)	-	(500,000)
Interest received	23,458	11,443	34,901
<b>Net cash provided (used) by investing activities</b>	<u>(476,542)</u>	<u>11,443</u>	<u>(465,099)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(450,983)</u>	<u>(47,454)</u>	<u>(498,437)</u>
Cash and cash equivalents, beginning of year	<u>2,021,909</u>	<u>989,080</u>	<u>3,010,989</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,570,926</u></u>	<u><u>\$ 941,626</u></u>	<u><u>\$ 2,512,552</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used)</b>			
by operating activities:			
Operating (loss)	\$ (86,387)	\$ (48,296)	\$ (134,683)
Adjustments to reconcile operating loss			
to net cash provided by operating activities:			
Depreciation	97,354	33,262	130,616
Decrease (increase) in assets:			
Accounts receivable	(2,426)	(49,773)	(52,199)
Due from other funds	774	263	1,037
Due from other governmental units	-	(42,400)	(42,400)
Increase (decrease) in liabilities:			
Accounts payable	388	27,085	27,473
Accrued expenses	(2,372)	(936)	(3,308)
Due to other funds	(2,499)	(1,402)	(3,901)
Due to other governmental units	-	17,698	17,698
<b>Net cash provided by (used) operating activities</b>	<u><u>\$ 4,832</u></u>	<u><u>\$ (64,499)</u></u>	<u><u>\$ (59,667)</u></u>



**VILLAGE OF BIRCH RUN**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**JUNE 30, 2004**

	<u>AGENCY FUNDS</u>		
	<u>Current Tax Collection</u>	<u>D.A.R.E</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 2,820	\$ 2,820
<b>Liabilities</b>			
Due to D.A.R.E.	\$ -	\$ 2,820	\$ 2,820

**NOTES TO FINANCIAL STATEMENTS**

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The *Village of Birch Run* (the "Village") was organized in 1955 as a home rule village and covers an area of approximately 1 square mile. The Village operates under an elected Village Council (5 members) and provides services to approximately 1,653 residents in many areas including law enforcement, community enrichment and development, and human services.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

#### A. REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village (the primary government) and the Downtown Development Authority (the component unit). The Downtown Development Authority (DDA) is included in the Village's reporting entity because of the significance of its operational and financial relationship with the Village.

**Component Unit** - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the DDA have been included in the financial reporting entity as a discretely presented component unit. The DDA is reported in a separate column to emphasize that it is legally separate from the Village. The members of the DDA are appointed by the Village President and the DDA is fiscally dependent on the Village as the DDA is prohibited from levying taxes and issuing bonded debt without the approval of the Village Council.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the grant revenues and the related operation and maintenance of the major street system.

The *local streets fund* accounts for the grant revenues and the related operation and maintenance of the local street system.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Village reports the following fund type:

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Property taxes are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

# **VILLAGE OF BIRCH RUN, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

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### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Village considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

#### **2. INVESTMENTS**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

#### **3. RECEIVABLES**

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### **4. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	50
Buildings	50
System infrastructure	5-30
Vehicles	3-10
Equipment	5-20

### 5. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 6. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### 7. INTERFUND TRANSACTIONS

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The office staff submits to the Village Council, at their May meeting, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution at the June Village Council meeting.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
5. Budgets for the General Fund and Major and Local Streets Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget for the Downtown Development Authority Component Unit was adopted on a cash flow basis.
6. Budgeted amounts are as originally adopted or as amended by the Village Council.

#### B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures that are in excess of the amount appropriated. During the year ended June 30, 2004, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated in various activities as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
PUBLIC SAFETY	\$ 535,940	\$ 541,612	\$ (5,672)
PUBLIC WORKS	78,887	121,798	(42,911)



# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### III. DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

A reconciliation of cash, pooled investments and investments as shown in the basic financial statement to the Village's deposits and investments is as follows:

	<b><u>Carrying Amount</u></b>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 2,073,658
Restricted cash and cash equivalents	1,293,277
Investments	500,000
Component Unit:	
Cash and cash equivalents	1,043,260
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>2,820</u>
Total	<u>\$ 4,913,015</u>
Notes to Financial Statements:	
Deposits	\$ 4,912,465
Cash on hand	<u>550</u>
Total	<u>\$ 4,913,015</u>

Deposits - At June 30, 2004, the carrying amount of the Village's deposits was \$4,913,015 and the bank balance was \$4,956,695. Of the bank balance, \$302,910 was covered by Federal Depository Insurance and \$4,653,785 was neither insured nor collateralized.

The Village maintains a cash pool that is available for use by essentially all Village funds. The portion of this pool attributable to each separate fund type is shown on the Statement of Net Assets as "Cash and cash equivalents". In addition, various interest bearing savings and checking accounts, certificates of deposit and investments are separately held by several of the Village's funds.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### *Investments*

The Village has adopted an investment policy in accordance with Public Act 20 and within this policy the Village Treasurer is authorized to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptance of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

The Village's investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes insured or registered, or securities held by the Village or the Village's agent in the Village's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Village's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or the counterparty's trust department or agent but not in the Village name.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### B. RECEIVABLES

Receivables as of year end for the Village's governmental and business-type activities in the aggregate, are as follows:

	<b>Governmental <u>Activities</u></b>	<b>Business-type <u>Activities</u></b>
Receivables:		
Taxes	\$ 8,540	\$ -
Accounts	6,498	174,728
Intergovernmental	135,505	65,331
Less: allowance for uncollectible accounts	<u>(3,890)</u>	<u>-</u>
Total receivables	<u>\$ 146,653</u>	<u>\$ 240,059</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>
Property taxes receivable (General Fund)	<u>\$ 8,540</u>	<u>\$ -</u>

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated – Land	\$ 38,000	\$ -	\$ -	\$ 38,000
Capital assets being depreciated:				
Land improvements	128,634	11,500	-	140,134
Buildings	279,988	-	-	279,988
Trucks and heavy equipment	167,801	-	-	167,801
Police equipment	144,516	6,458	-	150,974
Machinery and equipment	90,595	-	-	90,595
Office equipment, furniture and fixtures	<u>31,008</u>	<u>-</u>	<u>-</u>	<u>31,008</u>
Total capital assets being depreciated	<u>842,542</u>	<u>17,958</u>	<u>-</u>	<u>860,500</u>
Less accumulated depreciation				
Land improvements	(49,423)	(14,950)	-	(64,373)
Buildings	(279,988)	-	-	(279,988)
Trucks and heavy equipment	(128,856)	(9,361)	-	(138,217)
Police equipment	(90,264)	(21,647)	-	(111,911)
Machinery and equipment	(71,131)	(6,167)	-	(77,298)
Office equipment, furniture and fixtures	<u>(18,790)</u>	<u>(2,990)</u>	<u>-</u>	<u>(21,780)</u>
Total accumulated depreciation	<u>(638,452)</u>	<u>(55,115)</u>	<u>-</u>	<u>(693,567)</u>
Total capital assets being depreciated, net	<u>204,090</u>	<u>(37,157)</u>	<u>-</u>	<u>166,933</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 242,090</u>	<u>\$ (37,157)</u>	<u>\$ -</u>	<u>\$ 204,933</u>

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 36,392	\$ -	\$ -	\$ 36,392
Capital assets being depreciated:				
Land improvements	45,540	-	-	45,540
Buildings	115,302	-	-	115,302
Sewer system	3,662,345	-	-	3,662,345
Vehicles	65,180	-	-	65,180
Mains	667,687	-	-	667,687
Furniture and equipment	235,123	-	-	235,123
Total capital assets being depreciated	<u>4,791,177</u>	<u>-</u>	<u>-</u>	<u>4,791,177</u>
Less accumulated depreciation				
Land improvements	(8,349)	(4,554)	-	(12,903)
Buildings	(4,486)	(2,883)	-	(7,369)
Sewer system	(1,113,117)	(72,333)	-	(1,185,450)
Vehicles	(18,938)	(13,036)	-	(31,974)
Mains	(257,686)	(22,952)	-	(280,638)
Furniture and equipment	(136,089)	(14,858)	-	(150,947)
Total accumulated depreciation	<u>(1,538,665)</u>	<u>(130,616)</u>	<u>-</u>	<u>(1,669,281)</u>
Total capital assets being depreciated, net	<u>3,252,512</u>	<u>(130,616)</u>	<u>-</u>	<u>3,121,896</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 3,288,904</u>	<u>\$ (130,616)</u>	<u>\$ -</u>	<u>\$ 3,158,288</u>

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 24,107
Public safety	21,647
Public works	<u>9,361</u>

**Total depreciation expense – governmental activities** **\$ 55,115**

**Business-type activities:**

Sewer	\$ 97,354
Water	<u>33,262</u>

**Total depreciation expense – business-type activities** **\$ 130,616**

**Component Unit - DDA**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 89,043	\$ -	\$ -	\$ 89,043
Capital assets being depreciated:				
Land improvements	-	7,600	-	7,600
Vehicles	166,892	-	-	166,892
Equipment	<u>140,649</u>	<u>8,875</u>	<u>-</u>	<u>149,524</u>
Total capital assets being depreciated	<u>307,541</u>	<u>16,475</u>	<u>-</u>	<u>324,016</u>
Less accumulated depreciation				
Land improvements	-	(105)	-	(105)
Vehicles	(163,025)	(1,933)	-	(164,958)
Equipment	<u>(106,904)</u>	<u>(8,300)</u>	<u>-</u>	<u>(115,204)</u>
Total accumulated depreciation	<u>(269,929)</u>	<u>(10,338)</u>	<u>-</u>	<u>(280,267)</u>
Total capital assets being depreciated, net	<u>37,612</u>	<u>6,137</u>	<u>-</u>	<u>43,749</u>
<b>Capital assets, net</b>	<b><u>\$ 126,655</u></b>	<b><u>\$ 6,137</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 132,792</u></b>

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### D. PAYABLES

Accounts payable and accrued liabilities in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 26,586	\$ 47,539
Accrued liabilities	12,346	11,261
Deposits	81,995	-
Intergovernmental	<u>22,173</u>	<u>66,728</u>
Total payables	<u>\$ 143,100</u>	<u>\$ 125,528</u>

### E. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2004, is as follows:

Transfer to:	Transfer from:			
	Major Streets	Sewer	Water	Total
General	\$ -	\$ 4,100	\$ 4,200	\$ 8,300
Local Streets	<u>24,344</u>	<u>-</u>	<u>-</u>	<u>24,344</u>
Total	<u>\$ 24,344</u>	<u>\$ 4,100</u>	<u>\$ 4,200</u>	<u>\$ 32,644</u>

The transfer from the Major Streets fund to the Local Streets fund is for the purpose of funding maintenance on local streets, which is not funded by intergovernmental revenues.

The transfers from the Sewer and Water funds to the General Fund is for the purpose of reimbursing the General Fund for certain administrative expenditures incurred by the General Fund on behalf of the Sewer and Water funds.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### F. LONG-TERM DEBT

The following is a summary of long-term debt outstanding of the Village and component unit for the year ending June 30, 2004:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<b>Business-type activities:</b>				
Contracts payable – 1.45% to 3.9% due 9/1/11	<u>\$ 935,000</u>	<u>\$ (110,000)</u>	<u>\$825,000</u>	<u>\$105,000</u>
<b>Component Unit:</b>				
National City – 6.6% to 6.9%, due 11/1/05	\$ 375,000	\$ (100,000)	\$ 275,000	\$ 80,000
The Bank of New York – 4.4% to 5.25%, due 6/1/23	<u>2,125,000</u>	<u>(75,000)</u>	<u>2,050,000</u>	<u>135,000</u>
<b>Total Component Unit</b>				
Long-term Liabilities	<u>\$ 2,500,000</u>	<u>\$(175,000)</u>	<u>\$2,325,000</u>	<u>\$215,000</u>

The Downtown Development Authority (DDA) has pledged its tax increment revenues, together with any available general revenue funds of the Authority to pay the \$375,000 refunding bond issue to First of America and the \$2,125,000 bonds issued to Comerica Securities. In addition, the bonds are backed by the full faith and credit of the Village of Birch Run.

During the year ended June 30, 2003, Saginaw County refunded the Birch Run Extension #2 bond issue, which the Village is contractually obligated to reimburse. There was \$925,000 of principal remaining on the refunded sewer contract and the value has been increased to \$935,000 remaining at June 30, 2003. The DDA is reimbursing the Sewer Fund for 71.65% of the principal, interest and fees on the outstanding sewer contract of \$935,000. The remaining 28.35% is being paid by Birch Run Township.



# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for general obligation and revenue bonds and notes are as follows:

Year Ending June 30	Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2005	\$ 105,000	\$ 23,313	\$ 215,000	\$ 118,220
2006	110,000	20,625	220,000	105,200
2007	105,000	17,938	85,000	96,690
2008	100,000	15,325	85,000	92,780
2009	100,000	12,525	90,000	88,785
2010-2014	305,000	17,693	490,000	375,335
2015-2019	-	-	585,000	239,663
2020-2023	-	-	555,000	74,550
Total	<u>\$ 825,000</u>	<u>\$ 107,419</u>	<u>\$ 2,325,000</u>	<u>\$ 1,191,223</u>

### IV. OTHER INFORMATION

#### A. DEFINED BENEFIT PENSION PLAN

##### Plan Description

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

##### Funding Policy

The Village is required to contribute an amount equal to a percentage of covered payroll which is determined based on union negotiated rates and actuarially determined rates; the current rate ranges from 3.53% to 5.20% of annual covered payroll. The plan also requires a contribution from the employees of 4.1% of gross wages for police, D.P.W. and administrative staff employees.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### Annual Pension Cost

For the year ended June 30, 2004, the Village's annual pension cost of \$49,250 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. Both were determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized on a closed basis over a period of 33 years, as of December 31, 2003, the date of the latest actuarial valuation.

### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 19,369	100%	\$ 0
6/30/03	45,519	100	0
6/30/04	49,250	100	0

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$182,310	\$326,164	\$143,854	56%	\$464,258	31%
12/31/02	220,690	352,993	132,303	63	502,753	26
12/31/03	282,810	455,612	172,802	62	602,849	29

### B. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the Village carried commercial insurance to cover all risk of losses. The Worker's Compensation insurance is the only retrospectively rated policy; any premiums accrued are based on the ultimate cost of the experience to date of the Village. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three fiscal years.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### C. PROPERTY TAXES

Village properties are assessed as of December 31 and the related property taxes become a lien in May of the following year.

Real property taxes not collected as of September 30 are turned over to Saginaw County for collection. The County remits the collections to the Village until the delinquent tax settlement date. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

### D. RESTATEMENTS

#### Implementation of new accounting standards

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

#### **Statements**

- ◆ No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*
- ◆ No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- ◆ No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment to GASB No. 33*
- ◆ No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

#### **Interpretation**

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2003, the following restatements were made to beginning net assets:

### *Government-wide financial statements.*

Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 939,982
Add: governmental capital assets, including general fixed assets, as of 6/30/03	880,542
Deduct: accumulated depreciation as of 6/30/03 on above governmental fixed assets	(638,452)
Add: taxes receivable as of 6/30/03	<u>4,810</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 1,186,882</u>

### **E. CONTRACT AND INTERLOCAL AGREEMENT**

The Village and the DDA entered into an agreement dated May 1, 1992, whereby the DDA reimburses the Village on a yearly basis for certain police and public works costs provided by the Village within the DDA boundaries. The plan may continue to capture school taxes for these items through December 31, 2007, which is the duration of the DDA plan in effect at the time of Proposal A. For the year ended June 30, 2004, the amount reimbursed by the DDA was \$184,707.

# **VILLAGE OF BIRCH RUN, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

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### **F. SEWER AGREEMENT**

During the year ended June 30, 1998, the Village, Saginaw County, and the Township of Birch Run entered into an agreement regarding the Sewage Disposal System and the \$1,400,000 1991 Saginaw County Sewage Disposal Bonds.

The Township agreed to assume the responsibility for 28.35% of the debt service on the outstanding bonds. The County paid the Village \$217,127, which represented 28.35% of the past debt service costs which were paid by the Sewer Fund plus a portion of legal and consulting fees. These funds plus interest earned were to be spent on public improvements by December 5, 1999. During the year ended June 30, 2001, the Village received approval on a proposal which allows the Village to apply these funds to specific projects which will be completed after December 5, 1999. This proposal also requires that the Village must restrict the yield on the investment of any funds remaining after December 5, 1999 to a rate of 5.25% per annum. As of June 30, 2004, these remaining funds amounted to \$35,495.

### **G. BUILDING AND SIMILAR FEES**

The Village collects monies for building, electrical, mechanical, plumbing, and planning and zoning permits and fees in the General Fund. The amount received for these permits for the year ended June 30, 2004 was \$61,198. The expenditures incurred related to code enforcement for the year ended June 30, 2004 were \$54,761.

### **H. CONTINGENCIES**

The Village is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of legal counsel, no legal proceedings are pending against the Village which are not covered by insurance or which would inhibit the Village's ability to perform its operations or materially affect its financial condition.

### **I. PRIOR PERIOD ADJUSTMENTS**

Due to a correction in ending accumulated depreciation for the prior year, the Village has restated the beginning Sewer and Water fund net assets, in the amount of \$145,749. In the year ended June 30, 2003, the Village had not removed all accumulated depreciation for assets disposed of during the year. As a result, the Village determined that the Sewer and Water losses on disposal of assets were overstated which resulted in an understatement of net assets as of June 30, 2003.

# VILLAGE OF BIRCH RUN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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The effect on the beginning net assets of the Sewer Fund is as follows:

Net assets, as previously stated	\$ 3,829,290
Prior period adjustment	<u>113,805</u>
Net assets, as restated	<u>\$ 3,943,095</u>

The effect on the beginning net assets of the Water Fund is as follows:

Net assets, as previously stated	\$ 1,449,016
Prior period adjustment	<u>31,713</u>
Net assets, as restated	<u>\$ 1,480,729</u>

Due to a correction in revenues and expenditures for the prior year, the Village has restated the beginning General Fund fund balance, in the amount of \$44,345. In the year ended June 30, 2003, the Village had not accounted for the revenues or expenditures of the refuse collection activity. As a result, the Village determined that the General Fund net revenues were understated which resulted in an understatement of fund balance as of June 30, 2003.

The effect on the beginning fund balance of the General Fund is as follows:

Fund balance, as previously stated	\$ 530,306
Prior period adjustment	<u>44,345</u>
Fund balance, as restated	<u>\$ 574,651</u>

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**INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**VILLAGE OF BIRCH RUN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>BUDGETED AMOUNTS</b>			<b>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES</b>				
<b>Taxes</b>				
Current real property taxes	\$ 108,343	\$ 104,326	\$ 102,022	\$ (2,304)
Current personal property taxes	40,800	36,902	36,902	-
Mobile home taxes	822	750	751	1
Property tax administration fees	2,754	2,753	2,753	-
<b>Total taxes</b>	<b>152,719</b>	<b>144,731</b>	<b>142,428</b>	<b>(2,303)</b>
<b>Licenses and permits</b>				
Contractor registration fee	408	765	780	15
Business licenses	8,364	7,460	7,510	50
Residential permits	9,468	11,525	11,755	230
Commercial permits	23,868	41,059	41,153	94
<b>Total licenses and permits</b>	<b>42,108</b>	<b>60,809</b>	<b>61,198</b>	<b>389</b>
<b>Planning and zoning fees</b>				
Planning commission fees	5,202	720	720	-
Zoning board of appeals fees	1,224	-	-	-
Zoning permit fees	12,240	17,233	17,883	650
Miscellaneous revenues - zoning	612	1,554	1,574	20
<b>Total planning and zoning fees</b>	<b>19,278</b>	<b>19,507</b>	<b>20,177</b>	<b>670</b>
<b>Federal grants</b>				
Saginaw County traffic grant	3,929	4,959	4,959	-
C.O.P.S. universal hiring grant	23,889	4,163	4,163	-
<b>Total federal grants</b>	<b>27,818</b>	<b>9,122</b>	<b>9,122</b>	<b>-</b>
<b>State revenue</b>				
State grant - police training funds	1,428	1,548	1,548	-
State constitutional sales tax	112,446	109,036	109,278	242
State statutory sales tax	17,738	10,385	7,058	(3,327)
State liquor licenses	2,652	2,671	2,671	-
<b>Total state revenue</b>	<b>134,264</b>	<b>123,640</b>	<b>120,555</b>	<b>(3,085)</b>
<b>Charges for services</b>				
Police services				
Birch Run Township	8,320	8,285	11,286	3,001
Refuse collection	-	-	46,766	46,766
Building and equipment rental	63,240	90,795	90,501	(294)
Police reports	1,060	737	742	5
<b>Total charges for services</b>	<b>72,620</b>	<b>99,817</b>	<b>149,295</b>	<b>49,478</b>
<b>Reimbursements</b>	<b>213,480</b>	<b>177,017</b>	<b>184,707</b>	<b>7,690</b>
<b>Fines and forfeitures</b>	<b>22,440</b>	<b>21,456</b>	<b>24,084</b>	<b>2,628</b>
<b>Other revenues</b>				
Interest	7,710	3,967	4,464	497
Recoveries of bad debts	-	-	96	96
Miscellaneous	19,276	14,216	18,733	4,517
<b>Total other revenue</b>	<b>26,986</b>	<b>18,183</b>	<b>23,293</b>	<b>5,110</b>
<b>Total revenues</b>	<b>711,713</b>	<b>674,282</b>	<b>734,859</b>	<b>60,577</b>



# VILLAGE OF BIRCH RUN

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS			VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>EXPENDITURES</b>				
<b>Legislative</b>				
Council salaries	\$ 1,530	\$ 1,194	\$ 1,094	\$ 100
Workers' compensation	4	6	7	(1)
Dues, memberships and subscriptions	252	150	150	-
Council community promotions	820	89	89	-
<b>Total legislative</b>	<b>2,606</b>	<b>1,439</b>	<b>1,340</b>	<b>99</b>
<b>Elections</b>				
Election expenses	-	189	189	-
<b>Clerk and treasurer</b>				
Salaries and wages	24,960	26,351	24,341	2,010
Fringe benefits	4,200	7,404	6,853	551
Workers' compensation	81	49	59	(10)
Employer taxes	1,768	1,480	1,423	57
Office supplies	1,632	1,405	1,390	15
Postage	510	368	549	(181)
Dues, memberships and subscriptions	510	154	154	-
Professional and contractual	9,944	4,465	4,638	(173)
Insurance	4,982	5,179	5,179	-
Telephone	1,485	1,318	1,326	(8)
Travel and training	2,018	1,014	1,015	(1)
Printing and publishing	918	552	552	-
Utilities	2,346	2,658	2,977	(319)
Miscellaneous	877	631	631	-
Furniture, fixtures and equipment	2,153	175	175	-
<b>Total clerk and treasurer</b>	<b>58,384</b>	<b>53,203</b>	<b>51,262</b>	<b>1,941</b>
<b>Public safety</b>				
Police				
Salaries and wages	322,200	366,509	367,941	(1,432)
Fringe benefits	-	43,822	42,136	1,686
Workers' compensation	-	7,679	9,162	(1,483)
Employer taxes	46,440	22,416	21,553	863
Office supplies	5,280	2,642	2,692	(50)
Postage	23,100	350	350	-
Dues, memberships and subscriptions	-	296	296	-
Professional and contractual	612	32,692	34,212	(1,520)
Insurance	16,981	11,557	11,557	-
Uniforms and accessories	14,125	4,104	4,104	-
Uniform cleaning	3,515	1,011	1,011	-
Telephone	371	3,153	3,125	28
Travel and training	7,816	5,103	5,864	(761)
Forfeiture - returned	-	2,467	2,467	-
Printing and publishing	-	287	292	(5)
Utilities	612	2,658	2,978	(320)
Miscellaneous	6,973	1,647	1,597	50
Furniture, fixtures and equipment	6,821	6,201	6,201	-
Vehicle expenses	20,844	21,346	24,074	(2,728)
<b>Total public safety</b>	<b>475,690</b>	<b>535,940</b>	<b>541,612</b>	<b>(5,672)</b>

**VILLAGE OF BIRCH RUN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<b>BUDGETED AMOUNTS</b>			<b>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>Inspection/Zoning</b>				
Salaries and wages	48,880	53,826	51,856	1,970
Fringe benefits	18,000	17,764	17,081	683
Workers' compensation	1,200	1,843	2,198	(355)
Employer taxes	3,952	3,095	2,976	119
Office supplies	918	850	851	(1)
Postage	102	334	333	1
Dues, memberships and subscriptions	816	201	201	-
Professional and contractual	3,942	4,345	4,726	(381)
Insurance	2,679	2,971	2,970	1
Telephone	1,020	1,017	969	48
Travel and training	1,122	1,254	1,257	(3)
Printing and publishing	1,428	945	945	-
Resource material	212	60	22	38
Utilities	-	143	447	(304)
Miscellaneous	1,590	518	489	29
Furniture, fixtures and equipment	3,849	175	175	-
<b>Total inspection/zoning</b>	<b>89,710</b>	<b>89,341</b>	<b>87,496</b>	<b>1,845</b>
<b>Planning and zoning</b>				
Salaries and wages	2,184	3,130	3,130	-
<b>Department of Public Works</b>				
Salaries and wages	23,355	30,028	28,959	1,069
Fringe benefits	1,680	2,089	2,009	80
Workers' compensation	960	1,536	1,832	(296)
Employer taxes	1,976	1,782	1,713	69
Office supplies	408	253	253	-
Postage	53	113	113	-
Dues, memberships and subscriptions	-	543	543	-
Building maintenance	1,122	1,104	1,211	(107)
Supplies and materials	1,938	3,261	3,276	(15)
Refuse collection	-	-	42,460	(42,460)
Professional and contractual	43,850	5,613	6,229	(616)
Insurance	6,644	5,408	5,408	-
Telephone	64	514	489	25
Travel and training	-	425	425	-
Printing and publishing	424	20	52	(32)
Utilities	2,440	2,658	2,977	(319)
Miscellaneous	663	7,063	7,542	(479)
Furniture, fixtures and equipment	2,950	1,356	919	437
Vehicle expenses	13,992	15,121	15,388	(267)
<b>Total Department of Public Works</b>	<b>102,519</b>	<b>78,887</b>	<b>121,798</b>	<b>(42,911)</b>
<b>Highways and streets</b>				
Sidewalks	3,570	470	470	-
Street lights	18,812	18,856	18,265	591
<b>Total highways and streets</b>	<b>22,382</b>	<b>19,326</b>	<b>18,735</b>	<b>591</b>

# VILLAGE OF BIRCH RUN

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Other current expenditures</b>				
Other expenditures	-	33	33	-
<b>Total expenditures</b>	753,474	781,488	825,595	(44,107)
<b>Revenues over (under) expenditures</b>	(41,761)	(107,206)	(90,736)	16,470
<b>Other financing sources</b>				
Transfers in	45,700	8,300	8,300	-
<b>Net change in fund balances</b>	3,939	(98,906)	(82,436)	16,470
Fund balances, beginning of year, as restated	574,651	574,651	574,651	-
<b>Fund balances, end of year</b>	<u>\$ 578,590</u>	<u>\$ 475,745</u>	<u>\$ 492,215</u>	<u>\$ 16,470</u>

# VILLAGE OF BIRCH RUN

## MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS			VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>Revenues</b>				
Intergovernmental revenue				
Motor vehicle highway funds	\$ 97,376	\$ 98,356	\$ 99,283	\$ 927
Reimbursements	12,240	9,205	9,205	-
Interest	2,550	2,241	2,473	232
Miscellaneous	-	7,276	7,276	-
<b>Total revenues</b>	<b>112,166</b>	<b>117,078</b>	<b>118,237</b>	<b>1,159</b>
<b>Expenditures</b>				
Routine maintenance				
Salaries and wages	34,033	22,832	22,227	605
Employer taxes	2,500	2,423	2,329	94
Expenses	34,907	15,216	15,271	(55)
Equipment rental	17,518	17,403	18,471	(1,068)
<b>Total routine maintenance</b>	<b>88,958</b>	<b>57,874</b>	<b>58,298</b>	<b>(424)</b>
Snow and ice control				
Salaries and wages	3,152	5,188	5,224	(36)
Employer taxes	272	561	561	-
Expenses	3,750	2,775	2,775	-
Equipment rental	5,834	12,809	11,779	1,030
<b>Total snow and ice control</b>	<b>13,008</b>	<b>21,333</b>	<b>20,339</b>	<b>994</b>
Administration and other				
Insurance	-	72	72	-
Professional and contractual	689	1,190	1,190	-
<b>Total administration and other</b>	<b>689</b>	<b>1,262</b>	<b>1,262</b>	<b>-</b>
<b>Total expenditures</b>	<b>102,655</b>	<b>80,469</b>	<b>79,899</b>	<b>570</b>
<b>Revenues over (under) expenditures</b>	<b>9,511</b>	<b>36,609</b>	<b>38,338</b>	<b>1,729</b>
<b>Other financing sources (uses)</b>				
Transfers (out)	(24,344)	(24,344)	(24,344)	-
<b>Net change in fund balances</b>	<b>(14,833)</b>	<b>12,265</b>	<b>13,994</b>	<b>1,729</b>
Fund balances, beginning of year	202,890	202,890	202,890	-
<b>Fund balances, end of year</b>	<b>\$ 188,057</b>	<b>\$ 215,155</b>	<b>\$ 216,884</b>	<b>\$ 1,729</b>

# VILLAGE OF BIRCH RUN

## LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS			VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>Revenues</b>				
Intergovernmental revenue				
Motor vehicle highway funds	\$ 25,537	\$ 25,663	\$ 25,925	\$ 262
Reimbursements	510	4,438	4,438	-
Interest	2,120	1,370	1,526	156
<b>Total revenues</b>	<b>28,167</b>	<b>31,471</b>	<b>31,889</b>	<b>418</b>
<b>Expenditures</b>				
Routine maintenance				
Salaries and wages	14,998	16,582	16,139	443
Employer taxes	978	1,730	1,663	67
Expenses	35,745	23,786	23,786	-
Equipment rental	4,031	11,369	11,206	163
<b>Total routine maintenance</b>	<b>55,752</b>	<b>53,467</b>	<b>52,794</b>	<b>673</b>
Snow and ice control				
Salaries and wages	1,956	4,790	4,870	(80)
Employer taxes	160	346	346	-
Expenses	2,570	2,775	2,775	-
Equipment rental	3,501	8,790	8,956	(166)
<b>Total snow and ice control</b>	<b>8,187</b>	<b>16,701</b>	<b>16,947</b>	<b>(246)</b>
Administration and other				
Insurance	75	72	72	-
Reimbursements	-	6,252	6,252	-
Professional and contractual	1,592	2,312	2,312	-
<b>Total administration and other</b>	<b>1,667</b>	<b>8,636</b>	<b>8,636</b>	<b>-</b>
<b>Total expenditures</b>	<b>65,606</b>	<b>78,804</b>	<b>78,377</b>	<b>427</b>
<b>Revenues over (under) expenditures</b>	<b>(37,439)</b>	<b>(47,333)</b>	<b>(46,488)</b>	<b>845</b>
<b>Other financing sources (uses)</b>				
Transfers in	24,344	24,344	24,344	-
<b>Net change in fund balances</b>	<b>(13,095)</b>	<b>(22,989)</b>	<b>(22,144)</b>	<b>845</b>
Fund balances, beginning of year	162,441	162,441	162,441	-
<b>Fund balances, end of year</b>	<b>\$ 149,346</b>	<b>\$ 139,452</b>	<b>\$ 140,297</b>	<b>\$ 845</b>

**COMPONENT UNIT**

# VILLAGE OF BIRCH RUN

## COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2004

ASSETS	DOWNTOWN DEVELOPMENT AUTHORITY	ADJUSTMENTS	STATEMENT OF NET ASSETS
Cash	\$ 1,043,260	\$ -	\$ 1,043,260
Nondepreciable capital assets	-	89,043	89,043
Depreciable capital assets, net	-	43,749	43,749
<b>Total assets</b>	<b>\$ 1,043,260</b>	<b>\$ 132,792</b>	<b>\$ 1,176,052</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable	\$ 21,790	\$ 11,804	\$ 33,594
Accrued expenses	1,610	-	1,610
Due to primary government	16,940	-	16,940
Long-term debt:			
Due within one year	-	215,000	215,000
Due in more than one year	-	2,110,000	2,110,000
<b>Total liabilities</b>	<b>40,340</b>	<b>2,336,804</b>	<b>2,377,144</b>
<b>Fund balances</b>			
Reserved for construction	143,041	(143,041)	-
Reserved for encumbrances	11,828	(11,828)	-
Unreserved	848,051	(848,051)	-
<b>Total fund balances</b>	<b>1,002,920</b>	<b>(1,002,920)</b>	<b>-</b>
<b>Total liabilities and fund equity</b>	<b>\$ 1,043,260</b>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		(2,192,208)	(2,192,208)
Restricted for:			
Acquisition/construction of capital assets		143,041	143,041
Unrestricted		848,075	848,075
<b>Total net assets (deficit)</b>		<b>\$ (1,201,092)</b>	<b>\$ (1,201,092)</b>

# VILLAGE OF BIRCH RUN

## COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY	ADJUSTMENTS	STATEMENT OF ACTIVITIES
<b>Revenues</b>			
Taxes	\$ 821,582	\$ -	\$ 821,582
Federal grant	15,000	-	15,000
Reimbursements	9,817	-	9,817
Interest	12,819	-	12,819
Miscellaneous	332	-	332
<b>Total revenues</b>	<u>859,550</u>	<u>-</u>	<u>859,550</u>
<b>Expenditures/Expenses</b>			
Salaries and wages	52,951	-	52,951
Fringe benefits	13,513	-	13,513
Office supplies	2,339	-	2,339
Dues, memberships and subscriptions	493	-	493
Professional services	109,313	-	109,313
Insurance	2,383	-	2,383
Travel and training	1,664	-	1,664
Printing and publishing	952	-	952
Utilities	1,935	-	1,935
Equipment rental	11,403	-	11,403
Hydrant rental	2,025	-	2,025
Miscellaneous	3,094	-	3,094
Construction projects	7,600	(7,600)	-
Furniture, fixtures and equipment	9,575	(8,875)	700
Fees	750	-	750
Streetscape projects	4,570	-	4,570
Reimbursements	299,777	-	299,777
Depreciation	-	10,338	10,338
Debt service:			
Principal	175,000	(175,000)	-
Interest expense	129,498	(1,395)	128,103
<b>Total expenditures/expenses</b>	<u>828,835</u>	<u>(182,532)</u>	<u>646,303</u>
<b>Net change in fund balance / net assets</b>	30,715	182,532	213,247
Fund balance / net assets (deficit), beginning of year	<u>972,205</u>	<u>(2,386,544)</u>	<u>(1,414,339)</u>
<b>Fund balance / net assets (deficit), end of year</b>	<u><u>\$ 1,002,920</u></u>	<u><u>\$ (2,204,012)</u></u>	<u><u>\$ (1,201,092)</u></u>





# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 12, 2004

Village Council  
Village of Birch Run  
Birch Run, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Village of Birch Run*, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the *Village of Birch Run, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *Village of Birch Run, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Johnson*